

NATIONAL ENDOWMENT FOR THE ARTS

FY 2005 Final Performance Plan



Submitted to the Congress
February 2004



NATIONAL ENDOWMENT FOR THE ARTS

Vision

A Nation in which artistic excellence is celebrated, supported, and available to all.

Mission

The National Endowment for the Arts is a public agency dedicated to supporting excellence in the arts – both new and established, bringing the arts to all Americans, and providing leadership in arts education.

Goals

Access to Artistic Excellence

To foster and preserve artistic excellence and provide access to excellent art for all Americans.

Learning in the Arts

To advance learning in the arts.

Partnerships for the Arts

To develop and maintain partnerships that advance the mission of the National Endowment for the Arts.

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I. Planning and Budget Integration

The National Endowment for the Arts' FY 2005 budget request is for \$139,400,000. The FY 2005 Performance Plan and budget request are integrally linked with one another; the general goals from our adjusted 2003-2008 Strategic Plan were used to build the FY 2005 budget request. Our commitment to being guided by the Strategic Plan in our ongoing operations is particularly evident in:

- The budget, where our funding categories mirror the general goals from our adjusted Strategic Plan, and
- The Performance Plan, where the performance goals and indicators build on the general goals.

II. Performance Goals, Measures, and Highlights

A. Agency Refocused

The adjusted Strategic Plan and our budget request refocus the Agency on our core mission – evidenced in our enabling legislation and subsequent updates:

- Access to artistic excellence for all Americans,
- Promotion of learning in the arts as a critical element of the growth and development of Americans, particularly children and youth, and
- Partnership being essential to the achievement of the Agency's mission, goals and programs.

The programmatic framework contained in the FY 2005 request highlights three broad funding areas, which reflect a further consolidation of our Agency goals: Access to Artistic Excellence; Learning in the Arts; and Partnerships for the Arts. The chart on the next page displays the transition from four goals to three.

Chart
National Endowment for the Arts
Goal Transition (FY 2004 to FY 2005)

<u>FROM 4 Goals</u>	<u>TO 3 Goals</u>
ARTISTIC CREATIVITY and PRESERVATION	ACCESS to ARTISTIC EXCELLENCE
ACCESS to the ARTS	
LEARNING in the ARTS	LEARNING in the ARTS
PARTNERSHIPS for the ARTS	PARTNERSHIPS for the ARTS

B. Ongoing Achievements

Under our current budget, the Arts Endowment is able to reach millions of citizens across the Nation by providing *access to the arts*, particularly through:

- Concerts, performances, readings, tours, and exhibitions;
- Creation and preservation of work;
- Workshops, seminars, demonstrations, and presentations; and
- Residencies in and out of school.

The number of communities reached throughout the Nation is expected to once again approach 5,000; the number of individuals benefiting – exclusive of television and radio broadcast audiences – should number well over 40 million. More than 200 grants will be awarded to reach boundaries beyond the State in which the grant recipient resides.

Through our *Learning in the Arts* efforts, approximately 3 million children and youth are expected to benefit. And, through our *Partnership* efforts:

- The State Arts Agency of every State, as well as the Regional Arts Organizations of the State Arts Agencies, will receive millions of dollars in Federal support, making possible the awarding of grants reaching well over 5,000 communities in addition to those we reach directly; and
- Nearly every grant awarded by the Agency will be matched by nonfederal sources, resulting in \$450-500 million in the aggregate matching our grants.

C. Shakespeare in American Communities Initiative: Improving Access to Artistic Excellence

Through the continuation of our ground-breaking *Shakespeare in American Communities* project, we will enable small and mid-sized communities – including military bases – in every state in the Nation to experience professional live theatre of the highest caliber (see discussion under the Budget Plan and Projects & Impact tabs).

D. FY 2005: National Initiatives

When examined as a whole, the breadth of accomplishments we can expect to achieve under our current budget – both directly and indirectly – is impressive. We have learned through our *Shakespeare in American Communities* initiative that the Nation and its citizens have an unmet thirst for access to artistic excellence. From communities large to small, urban to rural, the arts matter to the American people. What we have also learned is that the value of the artistic experience, particularly for children and youth,

can be significantly enhanced through structured, complementary educational components; rather, learning in the arts. *Shakespeare in American Communities*, the largest tour of Shakespeare in American history, will bring performances of the highest quality to more than 100 small and mid-sized cities and military bases in all 50 states, as well as approximately 1,000 high schools. This national program represents the first in a series of landmark programs to demonstrate the unique cultural and educational value the National Endowment for the Arts can bring to America. It also produces the model (as well as the experience base) for future programs of indisputable artistic merit and broad national reach such as the expanded *NEA Jazz Masters* program, the *NEA Institute for Arts Journalism*, and, on a much larger scale, the Arts Endowment's *American Masterpieces: Three Centuries of Artistic Genius* initiative (see discussion under the Budget Plan and Projects & Impact tabs).

E. Performance Plan Presentation

The table that follows this narrative presents FY 2005 projections, and it includes all performance goals (outcomes) and associated performance measures (indicators). It also shows the allocation of programmatic resources to goals, and highlights target levels of performance for selected indicators that we believe represent significant activity.

III. Meeting the Performance Goals: Required Resources and Operational Processes

A. Grantmaking and Other Project Support Activities

Historically, the primary means for attaining our performance goals has been the awarding of grants and cooperative agreements for specific arts projects. In recent years we have greatly improved our ability to accomplish our goals by also undertaking or strengthening our leadership, convening, research, communication and dissemination, and partnership activities. Certainly, the principal resource required is the programmatic funding necessary to support these efforts. We have also recently established a Development Office to secure donated funds to support, in particular, large-scale national initiatives; a National Initiatives Office to manage such projects; and an Office of Government Affairs to provide focused and consistent management for both domestic and international activities. However, it is the creativity of our staff, the arts organizations, and artists involved in implementing these programs that ensures the intended impact and benefits.

B. Operations

Programmatic funding alone of course is insufficient to accomplish our goals. Adequate and highly skilled staff, reliance upon merit review of grant applications, implementation of efficient and effective processes, and sufficient resources to acquire the tools to support the staff, merit review, and operations are essential to achieving our performance goals.

1. Highly Skilled Staff. Whether overseeing finance, budget, or personnel; providing professional expert advice on theater, dance, music, or literature; assessing efficiency or effectiveness of processes and procedures; or ensuring availability of technological support and services, highly skilled staff are essential. Following a reduction-in-force (RIF) in 1995, necessitated by a 40 percent reduction in funding, we reassessed the positions essential to accomplishing our mission while recognizing the necessary balance between professional and clerical skills. Today, we operate with approximately 160 positions (slightly more than last year, but still some 120 positions **below** the pre-RIF staffing level). However, this budget request does include six new positions at various grades to carry out our high impact national initiatives.
2. Reliance Upon Merit Review. One particular process stands out as critical to our work: our national merit review system. Through this system, we are able to draw upon the services of hundreds of arts practitioners and knowledgeable laypersons from across the country who review grant applications submitted to the Arts Endowment; their judgments weigh heavily in our funding decisions. In turn, the active participation of these advisory panelists plays a significant role in enhancing the credibility and fairness of the primary tool for achieving our goals, the awarding of grants.
3. Improved Processes, Procedures, and Resources. Even before the advent of the current E-Gov initiatives, we recognized the need to greatly improve our technological capabilities. To date, we have implemented a Local Area Network (LAN); converted our core mission-critical grants, financial management, and panel database systems from a Wang Laboratories mainframe to a networked platform; completed the refactoring of our converted grants and finance information systems from Cobol to C++ to allow for increased accuracy and timeliness of data entry, improved data analysis, and greater flexibility in reporting; unveiled an electronic grant application system for use by our State and Regional partners; implemented Web-accessible application guidelines in all funding categories beginning in FY 2004; launched a redesigned Arts Endowment Web site; and introduced an Intranet for Agency use. We are now exploring full replacement of our financial management information system, and we are planning an expansion of our E-grant capabilities. These accomplishments contribute greatly to the attainment of our performance goals.

Finally, to maintain highly skilled staff and to fully utilize improvements in technology, adequate resources must exist to support the following:

- Training - skills-based, supervisory, and technology-based; and
- Physical Office Environment - adequate and properly equipped space essential to productive work. [Note: While we have been advised that we must relocate from our present space, progress on relocation awaits clarification from the

General Services Administration and the OMB. As such, no funds are contained in the Budget Request in support of relocation.]

IV. Verifying and Validating Performance Measures

A. Data Quality and Improvement

With the implementation of the GPRA, we began to consider the type of information we would collect to convey accomplishments. Initially, our capacity to collect and report on that data was limited. Since then, we have made considerable progress in improving the information collected and its reliability. Today, we are able to collect information about the reach of the Agency that was not possible a few years ago. Equally important, we have developed tools that enable us to aggregate, report and assess this information.

The information we collect includes audiences served; artists, children and youth participating; and communities reached through Arts Endowment-supported projects. The process we have developed over the past several years for monitoring – and revising as necessary – our data collection tools and methodology helps ensure that we have reliable data in the years ahead.

B. Data Availability and Projections

Our projections of performance continue to be influenced by a number of factors including:

- *Significant time-lag* between the end of the fiscal year in which a grant is awarded and the submission of final reports – which contain information on actual accomplishments. We currently collect performance data at various times prior to the receipt of the final report; however, actual accomplishments are not known until final project reports are submitted. It takes approximately 24 months before 90 percent or more of the final reports for a given fiscal year are received. With the improvement of our data collection processes, we may conclude that we are able to make reliable projections with a lower percentage of final reports in hand.
- *Applicant discretion.* Eligible applicants have full discretion to select a category of support and the nature of their projects. The Arts Endowment issues guidelines for organizations submitting applications that identify areas of funding and the types of eligible projects. Based on historical data, we estimate numbers of applications and types of projects or activities to be funded; however, it is not until the applications are actually received and reviewed that a clearer picture emerges. From year to year, applicant interests may change from one area to another or from one type of project to another, thus adding to the challenge of making reliable estimates.

With the above points in mind, we offer the following observations:

1. FY 2005 marks the start of a revised programmatic framework.
2. Projections for FY 2004 and FY 2005 are influenced by FY 2003 results to date.
3. Preliminary results of FY 2005 accomplishments will be available during the course of FY 2005, but actual results will not be known until a substantial majority of final reports are received – some 24 months after the close of the fiscal year.

V. Evaluation of Program Effectiveness

Historically, we have employed a variety of approaches to evaluate or assess program accomplishments. For example, we have relied upon:

- *Advisory Panels* to assess the merits of grant applications and to participate in policy discussions that help assess Agency effectiveness and guide future strategies. These citizen panels are composed of artists, arts professionals, and lay people who are knowledgeable about the arts and the impact of Arts Endowment grants in serving the American people.
- *Review of Grant Final Reports* to assess the impact and reach of each grant, and to determine whether projects have been carried out consistent with the stated grant purpose and original project description.
- *Targeted Research* to develop information necessary to inform policy. These efforts include examining demographic information on public participation in the arts or studying the effects of cultural activity on the economy.
- *Issue-oriented Convening* to inform program and policy development. Issues addressed may focus, for example, on the economic challenges facing artists or a specific arts discipline, or opportunities for promoting public-private partnerships.

During our recent Strategic Plan revision process we proposed establishing a routine assessment process intended to determine how effective our grant programs are in achieving our programmatic goals and outcomes. Elements of the planned assessments are expected to include:

1. Relying on appropriate sampling,
2. Using government and private sector expert reviewers,
3. Considering various types of projects, as well as arts disciplines supported,

4. Undertaking assessments annually, and
5. Reporting results in Agency Performance Plan and budget submissions.

Development and implementation of these new assessment approaches has been held in abeyance until such time that experienced staff to oversee this effort is hired. We have, however, been able to undertake a study of our grantee final reporting process to determine how well it serves our performance reporting needs. This study, which we completed in the last quarter of FY 2003, concluded that the process works effectively and as intended. Continuing developments in this area will be reflected in future Performance Plans. We expect that evaluations of program effectiveness will be aided considerably by grantees' identification of project outcomes in their final reports beginning with FY 2004 grants.

VI. Management Issues

In conjunction with the development of our revised Strategic Plan, we devoted considerable attention to management issues and concluded that:

1. We needed a new management goal that recognized the relationship between management activities and achievement of our mission.
2. We needed to identify actions we could take to improve our services to the public.
3. We needed to review our internal operations to ensure efficiency and effectiveness of operations.
4. We needed to integrate consideration of human capital implications into all program and policy decision-making.
5. The relationship between budget and performance should be improved.
6. We needed to review our organizational structure to ensure that it is aligned with our goals, facilitates communication with the public, provides for effective and efficient operations, and is cost-effective.
7. We needed to adjust our workload in light of available resources.

Each of these conclusions is discussed briefly below.

1. *Management Goal.* The Arts Endowment is committed to serving the American people through the fair and responsible awarding and monitoring of Agency-supported grants, contracts and cooperative agreements. Through sound business practices, effective and responsible use of resources, and innovative and dynamic leadership, the Agency achieves high performance and accountability. As such, our management goal is:

To enable the Arts Endowment to achieve its mission through effective, efficient, and responsible management of resources; for FY 2005, this includes reducing overhead as a percentage of our total budget.

2. *Improving Service to the Public.* There are many ways in which the Arts Endowment continually interacts with the public. To improve service in key areas, we decided that we must:

- Modify our application guidelines to remove unnecessary requirements and confusing restrictions.
- Continue to ensure broad representation on our application review panels.
- Pursue the use of technology as a vehicle to improve application and grant processing including application access and submission, notification to applicants of Agency decisions, and grant administration such as submission of final reports. To this end, we actively participate in government-wide efforts to streamline grantmaking and to implement E-grant capabilities across the government through the Grants.gov Web site. Achievements in this area include increasing use of our Web site as the primary vehicle for conveying application opportunities and related forms and materials to the general public and interested parties, such as implementing Web-accessible application guidelines in all funding categories beginning in FY 2004; establishing a Web-based application process for our State partners; and launching a completely redesigned Web site.
- Improve our Web site to ensure ease of use and increased access to information. [During FY 2003, we launched a major redesign of the site, which presents a simpler, clearer, more easily navigable structure, while preserving an array of information essential to users. The redesign incorporates up-to-date technology into its basic architecture and is fully accessible.

3. *Improving Overall Operations.* We continually evaluate our business practices, which regularly produces efficiencies. In FY 2003, we undertook a formal Business Process Review (BPR) motivated in part by workload demands that appeared to exceed resources, as well as a desire to infuse technology more fully into our operations. Relying upon private sector expertise, we developed detailed documentation of our operations, including recommendations for operational and system improvements. We are now in the process of implementing those recommendations deemed appropriate and feasible, enlisting private sector assistance where appropriate.

During FY 2004, we plan to identify and implement opportunities to automate more fully our financial management operations, including the possibility of entering into a cross-servicing agreement with a larger Federal agency. We also are beginning to plan for replacement of our outdated Grants Management System, initially deployed in 1986. These, we believe, are important elements of operational improvement.

4. *Attention to Human Capital.* We have always focused on human capital; however, at a time when resources are limited, a new examination of human capital is warranted. We implemented a Human Capital Plan in FY 2003 that, among other things, focuses on the need to ensure that:

- Employee skills align with position requirements.
- Staff receive desired and relevant training.
- Critical vacancies are filled as quickly as possible.
- Employees have opportunities to participate in work- and family-friendly programs.
- Incentive programs are appropriately used to recognize and motivate performance.

5. *Budget and Performance Integration.* The American people demand and deserve clarity of purpose and evidence of achievement. Fulfilling these demands requires a well-established approach to assessing programs and using that assessment to determine priorities. We are taking three important actions to integrate budget and performance:

- We have adjusted our goals to refocus on our core mission – Access to Artistic Excellence, Learning in the Arts, and Partnerships for the Arts. We believe that these changes achieve the following:
 - Increased clarity for the public as to our goals and objectives,
 - Simplification in our application guidelines used to request Arts Endowment support, and
 - Increased clarity in the relationship between our mission, goals, and budget.
- Outcomes have been developed for all program areas – outcomes that we believe are appropriate for the specialized work of the Arts Endowment. Beginning with applications for FY 2004 funding, applicants are required to identify the relevant outcomes on their application forms.
- As discussed previously, we plan to establish a routine evaluation function that will annually assess our program activity, document accomplishments, and identify opportunities for improvement, as appropriate.

6. *Organizational Structure.* The integration of planning, process, and budget necessitate ongoing reviews of the availability and allocation of resources necessary to

achieve desired goals. Some findings from FY 2003 reviews are outlined below. [Note: some of the findings can be acted on in a relatively short time frame; others will take longer.] In addition, since the long-awaited arrival of our new Chairman in the second quarter of FY 2003, we have implemented a number of staffing changes to improve Agency operations.

- Organizational structure should be clearly aligned with our Strategic Plan and goals.
- Organizational reporting and working relationships should be reviewed to improve effectiveness and increase flexibility in the management of work.
- Allocation of resources should be examined to determine the most efficient use of human and financial resources.

Some of the improvements made to date include establishing:

- A *Development Office* to secure donated funds from the private sector to support, in particular, large-scale national initiatives,
- A *National Initiatives Office* to manage such projects, and
- An *Office of Government Affairs* to provide focused and consistent management for both domestic and international activities.
- A re-organized and enhanced *Office of Information Technology and Management*, in response to the findings of an outside review of that area.

7. *Agency Workload.* Subsequent to an approximately 40% reduction in our funds and staffing in FY 1996, we recognized that available staff and resources could not handle previous application and grant workloads. Estimates of a manageable workload based on previous patterns and staffing ratios were 2,000 – 3,000 applications and 700 – 900 grants annually. In FY 1997, we received almost 3,300 applications and awarded more than 1,100 grants. The staff totaled approximately 150. Between FY 1997 and FY 2003, the number of applications increased by nearly 76% and the number of grants increased by 73% – all while staffing remained essentially level.

By FY 2002 it became clear that the grant application workload would continue to increase unless we made some changes. Efficiencies in process and realignment alone could not address the growing imbalance between workload and staffing. To address this imbalance, we began to examine our grantmaking programs and activities and identify opportunities to adjust eligibility requirements – with the intent of reducing the numbers of applications received and grants awarded commensurate with the available financial and human resources. Concurrent with this effort, we were determined to be mindful of our commitment to ensure broad geographic reach in our grantmaking. In FY 2003 we suspended one category of funding (Community Arts

Development) and combined two others (Positive Alternatives for Youth and Learning in the Arts). Even so, we received almost 5,800 applications – an 8% increase over FY 2002. Despite our concerns about increasing workload demands, we have extended the Arts Endowment's impact through the targeted outreach of our National Initiatives (as discussed in II.D. above, and more fully under the Budget Plan and Projects & Impact tabs).

As mentioned previously, for FY 2005 we are further consolidating our programmatic goals. Along with this, we are modifying our application requirements to limit the number of funding categories to which an applicant may apply in one fiscal year. We are balancing these actions with targeted outreach efforts to ensure that underserved populations and communities are reached and have ample opportunity to seek Arts Endowment support. Such modifications to our programmatic activities, while important, only begin to address workload issues. The real key to productivity gains at this point is improved technology. We will, of course, continue to explore opportunities to achieve improved balance between workload and available resources.

Addressing the management issues identified above will improve our interaction with the public, our operational effectiveness and efficiency, and our ability to achieve the performance goals included in this FY 2005 Performance Plan.